

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2013-275-WS

January 7, 2014

IN RE: Application of Carolina Water Service,)
Incorporated For Adjustment of Rates) **SETTLEMENT AGREEMENT**
and Charges and Modifications of)
Certain Terms and Conditions for the)
Provision of Water and Sewer Service)

This Settlement Agreement is made by and between Carolina Water Service, Incorporated (“CWS” or the “Company”), the South Carolina Office of Regulatory Staff (“ORS”) and the Forty Love Point Homeowners Association (“the HOA”), collectively referred to as the “Parties” or sometimes individually as a “Party”.

WHEREAS, on September 4, 2013, CWS filed an Application for the Adjustment of Rates and Charges (the “Application”) requesting that the Commission approve the revised rates, charges, conditions, and terms of service in certain areas of Lexington, Aiken, Beaufort, Georgetown, Orangeburg, Richland, Sumter, Williamsburg and York counties;

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the “Commission”) pursuant to the procedure established in S.C. Code Ann. § 58-5-240 (Supp. 2013) and 10 S.C. Code Ann. Regs. 103-512.4.B and 103-712.4.B (Supp. 2013);

WHEREAS, the Company provides sewer service to approximately 13,000 sewer customers in Beaufort, Georgetown, Lexington, Orangeburg, Sumter, and York Counties and

approximately 8,000 water customers on 21 water systems in Aiken, Lexington, Richland, Sumter, Williamsburg, and York Counties;

WHEREAS, ORS has examined the books and records of the Company relative to the issues raised in the Application and has conducted financial, business, and site inspections of CWS and its water and wastewater collection and treatment facilities; and

WHEREAS, the Parties have engaged in discussions to determine whether a settlement in this proceeding would be in the best interests of the Company and in the public interest;

NOW, THEREFORE, the Parties hereby stipulate and agree to the following terms, which, if adopted by the Commission in its Order addressing the merits of this proceeding, will result in rates and charges for sewer and water service which are adequate, just, reasonable, nondiscriminatory, and supported by the evidence of record of this proceeding, and which will allow the Company the opportunity to earn a reasonable operating margin.

1. The Parties stipulate and agree to the rate schedule attached hereto and incorporated herein by reference as Settlement Agreement Exhibit 1. As reflected therein, the Parties have agreed that there shall be an increase in rates for sewer and the Company will charge its sewer customers a flat rate of \$45.04 per month for residential sewer service, a flat rate of \$32.07 per month for mobile home sewer service, a minimum flat rate of \$45.04 per month for each single-family equivalent (“SFE”) for commercial sewer service, and a flat rate of \$29.69 per month for sewer collection only service for both residential and commercial customers. The Parties further agree that the Company will charge its water customers a base facility charge of \$12.49 per month and a commodity charge of \$4.72 per 1,000 gallons.

2. The Parties agree that the above stated rates are fair, just, and reasonable to customers of the Company’s system while also providing the opportunity to earn a fair operating

margin at an agreed upon 9.50% Return on Equity Rate which produces additional revenue of \$1,037,779. The Parties stipulate that the resultant operating margin is 12.69%.

3. The Parties agree that ORS shall have access to all books and records of the Company and shall perform an examination of these books as necessary.

4. CWS agrees to maintain its books and records in accordance with the National Association of Regulatory Utility Commissioners (“NARUC”) Uniform System of Accounts as required by the Commission’s rules and regulations. CWS further agrees to properly record assets and the disposition of those assets, including retirements, in its books and records in accordance with the NARUC Uniform System of Accounts and to include the utility’s name and subdivision name or street address on all invoices used for ratemaking purposes effective the date of the final Commission Order in this proceeding.

5. The Company agrees to file with the Commission and/or ORS all necessary documents, bonds, contracts, reports and other instruments as required by applicable South Carolina statutes and regulations for the operation of a water and sewer system to include; any notices of pending increases in bulk water or sewer charges, bulk water contracts, and notices of violations which result in the issuance of an Order by the South Carolina Department of Health and Environmental Control (“DHEC”). Further, the Company agrees to continue to provide notice to the Commission and its customers prior to billing customers for any increase in bulk water and sewer charges.

6. The Company agrees that this system is a “public utility” subject to the jurisdiction of the Commission as provided in S.C. Code Ann. § 58-5-10(4) (Supp. 2013). The Company agrees to maintain its current Irrevocable Letters of Credit in the amount of Three Hundred Fifty Thousand (\$350,000) Dollars in satisfaction of the requirements set forth in S.C.

Code Ann. § 58-5-720 (Supp. 2013) for sewer service and Three Hundred Fifty Thousand (\$350,000) Dollars for water service.

7. Pursuant to Commission Order No. 2013-821 ORS agrees to the inclusion and allowance of certain plant additions related to the interconnection of the Lincolnshire wastewater system. All such costs remain subject to ORS audit and review in accordance with ORS's normal auditing procedures.

8. The Parties agree that the Leak Mitigation Program proposed by CWS in the Application is removed from consideration by the Commission in this case.

9. CWS agrees to include in its next Application for an adjustment in rates a rate structure which includes rates for both 6-inch and 8-inch meters to properly capture all customer types and services being provided by the Company.

10. The Parties agree to the following regarding additions or changes to charges requested by the Company in its Application:

- A. **Tampering Charge.** CWS shall be permitted to impose a tampering charge on customers for the actual cost of repairing the Company's lines or equipment not to exceed \$250.
- B. **Meter Installation Charge.** CWS's meter installation charge shall be limited to \$35 in instances where no meter has been provided by a Developer to the Company.
- C. **Pumping Charge.** The language in CWS's Tariff related to pumping charges shall remain the same along with the cost of \$150.
- D. **Disconnection Charge.** The Parties agree to the implementation of a \$40 Disconnection Charge and the elimination of the Company's current Reconnection Charge with respect to water service. With respect to sewer service, the Parties agree to the implementation of a \$40 Disconnection Charge where an elder valve has been installed and a \$500 disconnection fee where no elder valve has been installed. The Parties agree to the elimination of the Company's current Reconnection charge for sewer service.

11. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable, and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission Order issued approving this Settlement Agreement and the terms and conditions contained herein.

12. CWS, ORS and Forty Love agree to work together to study the feasibility of interconnection of Forty Love to the City of Columbia water system, and report their findings to the Commission within six months of the Commission's issuance of its final order in this case.

13. The Parties agree to stipulate into the record the pre-filed direct testimonies and exhibits of Karen Sasic, Richard Durham, Patrick Flynn, and Dylan D'Ascendis on behalf of CWS, as well as the pre-filed direct testimony and Audit Exhibits DFS-1 through DFS-8 of ORS witness Daniel F. Sullivan, the pre-filed direct testimony and Exhibit DMH-1 of ORS witness Dawn M. Hipp, the pre-filed direct testimony and Exhibits WJM-1 through WJM-5 of ORS witness Willie J. Morgan, and the pre-filed direct testimony and Exhibits DHC-1 through DHC-14 of ORS witness Douglas H. Carlisle, and the prefiled direct testimony of the HOA's witnesses Frank Rutkowski, Reid Radtke, and Leslie Hendrix. The parties' also agree to request that the Commission take judicial notice of CWS's Motion to Strike portions of Leslie Hendrix's testimony, and agree that this Settlement Agreement does not constitute a concession by CWS that witness Hendrix's testimony is admissible. Nothing in this agreement will constrain the parties from addressing or rebutting any issue in this docket raised by a non-settling party, a protestant, a public witness or the Commission. In particular, the Applicant will be permitted by the terms of this agreement to introduce its prefiled rebuttal testimony into the record through its witnesses, including but not limited to Steve Lubertozi, Richard J. Durham, Karen Sasic,

Patrick Flynn, Mac Mitchell, and Bob Gilroy. Furthermore, the parties may introduce testimony in support of the Settlement Agreement.

14. ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2013). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

... 'public interest' means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the agreement reached between the Parties serves the public interest as defined above. The terms of this Settlement Agreement balance the concerns of the using public while preserving the financial integrity of the Company. ORS also believes the Settlement Agreement promotes economic development within the State of South Carolina. The Parties stipulate and agree to these findings.

15. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future Commission proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

16. This Settlement Agreement shall be interpreted according to South Carolina law.

17. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below.

Counsel's signature represents his or her representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

18. The Parties agree that, if approved, this Settlement Agreement will also resolve all pending issues in Docket No. 2011-47-WS to include any dispute which may exist regarding CWS's claim to regulatory expenses, including but not limited to attorney's fees, incurred in connection with CWS's previous rate case in Docket No. 2011-47-WS. The Parties further agree that, by approving the rates resulting from this settlement agreement, the Commission is also approving the rates put in effect under bond by CWS in Docket No. 2011-47-WS. Therefore, upon approval of this Settlement Agreement, the Parties will jointly move the Commission to issue a final order in Docket No. 2011-47-WS affirming the rates placed in effect under bond by CWS, releasing the bond posted by CWS to secure those rates, declaring the rates superseded by the rates approved pursuant to this Settlement Agreement, and declaring any and all other issues in that docket resolved.

19. The Parties represent that the terms of this Settlement Agreement are based upon full and accurate information known as of the date this Settlement Agreement is executed. If, after execution, a Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Settlement Agreement is based, the Party may withdraw from the Settlement Agreement with written notice to the other Parties.

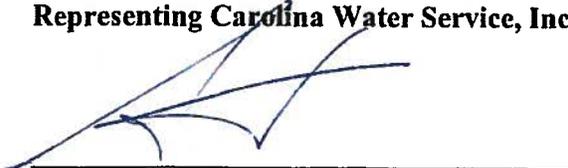
[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

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